

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EA-07 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 7242

INFO AMEMBASSY SEOUL

LIMITED OFFICIAL USE LIMA 8596

EO 11652: N/A

TAGS: EINV, EIND, PFOR, PE

SUBJECT: MARCONA EXPROPRIATION - KOREAN INTEREST IN BUYING
IRON ORE

1. AT SOCIAL FUNCTION EARLY THIS WEEK, DCM LEARNED OF SOUTH KOREAN INTEREST IN BUYING IRON ORE FROM HIERROPERU, THE STATE ENTITY WHICH HAS TAKEN OVER PROPERTIES OF THE RECENTLY EXPROPRIATED MARCONA MINING COMPANY. ON OCTOBER 16, EMBOFF DISCUSSED SUBJECT IN GREATER DETAIL WITH KOREAN EMBASSY COUNSELOR CHANG HUA MOON. MOON CONFIRMED THAT A REPRESENTATIVE OF POHANG STEEL CORPORATION HAD BEEN IN LIMA A FEW WEEKS AGO NEGOTIATING WITH HIERROPERU FOR PURCHASE OF IRON ORE (PRESUMABLY PELLETS) FOR DELIVERY THIS YEAR. MOON PROFESSED NOT TO KNOW QUANTITY, BUT DID SAY THAT IT WAS CONTEMPLATED THAT THERE BE A CONTINUING RELATIONSHIP BETWEEN POHANG STEEL AND HIERROPERU.

2. EMBOFF INFORMED MOON THAT COMPENSATION NEGOTIATIONS BETWEEN MARCONA AND GOP WERE PROCEEDING SLOWLY AND THAT, IN EMBASSY'S VIEW, PURCHASE OF IRON ORE BY POHANG AT THIS TIME WOULD NOT BE REGARDED AS HELPFUL WITHIN
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THE CONTEXT OF THESE NEGOTIATIONS. HE ALSO WARNED MOON

OF MARCONA'S INTENTION TO RESORT TO ALL LEGAL MEANS AVAILABLE TO PREVENT SUCH SALES AND OF CONSEQUENT LEGAL DIFFICULTIES AND DELAYS WHICH COULD BE EXPERIENCED BY PARTIES TO SUCH TRANSACTION.

3. MOON WAS OBVIOUSLY DISTURBED BY EMBOFF'S COMMENTS AND SAID HE HAD BEEN PREVIOUSLY UNAWARE OF EMBASSY CONCERN. HE ASKED SEVERAL TIMES WHETHER THE EMBASSY EXPECTED PROMPT CONCLUSION OF NEGOTIATIONS. MOON SAID THAT KOREAN GOVERNMENT WOULD ALWAYS WISH TO COOPERATE WITH THE U.S., BUT THAT U.S. FOR ITS PART MUST BE COGNIZANT OF KOREA'S NEED FOR RAW MATERIALS. UNLIKE JAPAN, KOREA DOES NOT HAVE LARGE STOCKPILES OF IRON ORE, OR EASY ACCESS TO ORE SOURCES, AND HAS PRESENT NEED FOR PERUVIAN ORE. AT A LATER STAGE IN THE CONVERSATION, MOON SUGGESTED DELICATELY THAT THE PRINCIPAL REASON PERU IS ABSTAINING ON HOSTILE RESOLUTION IN U.N. IS BECAUSE OF ITS COMMERCIAL RELATIONSHIP WITH SOUTH KOREA.

4. COMMENT: WE BELIEVE THAT MOON WAS GENUINELY UNAWARE OF OUR POSITION, WHICH APPEARED TO COME AS AN UNPLEASANT SURPRISE TO HIM. JUDGING BY WHAT HE SAID, IT MAY BE THAT SUBSTANTIAL AGREEMENT ON SALE MAY HAVE BEEN REACHED AND THAT WOULD BE EMBARRASSING FOR KOREA TO TRY TO BACK OUT AT THIS STAGE.
DEAN

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